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# CAN-FER MINES LIMITED

# 1966

## ANNUAL REPORT

| | |
|---|---|
| *Officers* | Paul Porzelt, *Chairman* |
| | C. A. Burns, *President* |
| | D. A. Berlis, Q.C., *Secretary-Treasurer* |
| *Directors* | D. A. Berlis, Q.C., Toronto, Ont.<br>Partner, Edison, Aird & Berlis |
| | Leonard Bughman, Ligonier, Pa.<br>President, Bughman Sales Company |
| | C. A. Burns, Toronto, Ont.<br>Partner, Ringsleben and Burns |
| | John Kemmerer, Jr., New York, N.Y.<br>President, Whitney & Kemmerer Inc. |
| | E. B. Leisenring, Jr., Philadelphia, Pa.<br>President, Virginia Coal & Iron Company |
| | Paul Porzelt, New York, N.Y.<br>Partner, Emanuel, Deetjen & Co. |
| | Malcolm Richardson, Toronto, Ont.<br>President, Richardson, de Pencier Limited |
| *Auditors* | Thorne, Gunn, Helliwell & Christenson, Toronto, Ont.<br>(Successors to Gunn, Roberts and Co.) |
| *Transfer Agent and Registrar* | The Sterling Trusts Corporation, Toronto, Ont. |
| *Co-Transfer Agent* | First National Bank of Jersey City, Jersey City, N.J. |
| *Solicitors* | Edison, Aird & Berlis, Toronto, Ont. |
| *Consultants* | Ringsleben and Burns, Toronto, Ont. |

*Head Office* 100 Adelaide Street West, Toronto, Ontario

## *Chairman's Report*

On behalf of the board of directors, I take pleasure in submitting this report and the financial statements of your company as of December 31, 1966. You will note that, despite the expenditures connected with the start of our exploration program, we can report a strengthening of our current position.

Current assets, consisting of cash or cash equivalent, amounted to $1,500,450 at year end. The bulk of this was represented by bank certificates of deposits, on which we received an interest return of up to 5.83%, depending on maturity.

Current liabilities were nominal and working capital increased to $1,463,879 from $1,314,424 a year earlier.

During 1966, we received the first advance royalty of $200,000 from Algoma Steel Corporation. Interest income was $68,706, providing total income for the year of $268,706. Administrative and exploration expenses amounted to $112,154, leaving a cash net income, before write-offs, of $156,552.

Since we are actively engaged in exploration, we are permitted to write off both our current and past mining, exploration and administrative expenditures against income, and therefore we are not currently incurring income tax liability. The company's exploration activities and plans are reviewed elsewhere in this report by Can-Fer's president, Mr. C. A. Burns.

Your directors understand that during 1966 Algoma Steel Corporation carried out drilling and test work on Can-Fer's Kowkash iron property.

On February 16, 1967, your board of directors declared dividend No. 2, three cents per share, payable April 12, 1967 to shareholders of record March 15. This dividend amounts to $103,028.

On March 11, 1966, the Company's shares were listed on the Toronto Stock Exchange. The symbol of your stock is CFX.

Towards the end of the year, The Virginia Coal and Iron Company of Philadelphia made a substantial investment in your company, becoming the largest single owner with a total of 600,000 shares. We were pleased to have Mr. E. B. Leisenring, Jr., president of that company, join our board of directors. The Virginia Coal and Iron Company dates back to 1888 and its management has valuable connections and great experience in mining matters. Your board welcomes this strengthening of our organization.

You will be asked at the shareholders' meeting to increase the number of directors from seven to nine. We are privileged to propose the election of Messrs. H. Michael Burns and Pemberton Hutchinson to our board. Mr. Burns is executive vice-president of Burns Bros. & Denton, Inc. and is a director of Crown Life Insurance Company. Mr. Hutchinson is assistant to the president of The Virginia Coal and Iron Company. He majored in geology at the University of Virginia and attended the Graduate School of Business Administration.

You will also be asked to vote on an amendment to our charter giving us broader powers in the future conduct of our business; changing the par value of our stock from $1 par to no par value; and eliminating the capital discount in our balance sheet by reduction of an equivalent amount of issued capital. The details are set forth in the notice of meeting.

Algoma Steel Corporation is presently expanding its blast-furnace production capacity from 2,100,000 tons of pig iron annually in 1965 to 3,700,000 tons capacity by 1970, a 75% increase. Algoma will need a substantial increase in iron ore supplies and, accordingly, your directors are hopeful that the Kowkash iron property will be brought into production at an early date as part of this program.

We look forward to 1967 with much anticipation. Can-Fer is broadening its exploration activities and is actively seeking new investment opportunities. Your company is fortunate in having a strong treasury and regular source of income, allowing it an enviable position among junior Canadian exploration companies, many of whom are having increasing difficulties in raising funds for exploration ventures.

Yours very truly,

PAUL PORZELT,
Chairman of the Board

March 9, 1967

## *President's Report*

This review summarizes your company's exploration activity in 1966.

During the past year the company conducted exploration programs on four properties, had a prospecting party in the field, examined and considered numerous prospects and participated in three prospecting grubstakes.

A staff of skilled and reliable personnel is being built up. In June a senior geologist was hired full-time, also another geologist was employed for two months, thus enabling the company to increase property examinations and work programs. Geophysical work was contracted to outside firms, but lately some of this has been done by technicians employed by the company.

On Can-Fer's copper property at Home Lake, 70 miles west of Port Arthur, Ontario, induced polarization and magnetometer surveys were done on some of the claims early in 1966. During the summer the property was mapped geologically, prospected, and the mineralized showing was traced for 150 feet across a point on Home Lake. Possible extensions are in the lake. At the time of writing, electromagnetic and detailed magnetometer surveys are nearing completion over the area of the copper showing in an effort to trace it into the lake and determine its trend. Further work, such as drilling, will depend partly upon results of these surveys.

Near Disraeli Lake, 55 miles north of Port Arthur, Ontario, a group of 60 claims, staked in partnership with another company in a search for copper, had geological reconnaissance and prospecting done on it. No further work is planned for these claims.

South of Truro, Nova Scotia, some 30 square miles of mineral rights were acquired adjacent to a find of native sulphur near the Windsor-Horton geological contact, in a region where silver-lead deposits also have been found. Results of exploration on the original sulphur find have been followed and geological reconnaissance was done on the company's property. Soil cover, however, hampers the use of geology. Most or all of the licenses will be allowed to lapse.

Three groups totalling 83 claims were staked in the Bathurst-Jacquet River area of New Brunswick during October and November. They were acquired following release of results of a geochemical reconnaissance survey by the Geological Survey of Canada. One small block of claims has had a geochemical soil survey done on it and further work will be done in 1967. Geochemical surveys will be the initial work done on the other two groups of claims.

In Teetzel township, 6 to 10 miles north of Kapuskasing, Ontario, a group of 47 mineral claims was staked in late 1966 to cover a carbonatite body. This is an unusual type of complex intrusive with which different types of mineral deposits can be associated. Lines have been cut on the claims and a magnetometer survey is to start at once. Geological mapping and other methods of investigation will follow during 1967.

Can-Fer participated in three grubstakes, each of which acquired claims. Ground held by "The Frank Beehler Grubstake 1966" has had follow-up work performed on it.

The Beehler Grubstake staked 30 claims on a copper find in Comtois township, north of Amos, Quebec. Geological and geophysical surveys have been done on the claims and further work is planned.

In Quebec, approximately 150 miles east of Seven Islands, a group of 20 claims has been staked since year-end. This area is the centre of widespread staking of uranium prospects. Can-Fer's property will be explored during the 1967 field season.

Can-Fer's exploration program will expand significantly in 1967. More staff will be added. Additional emphasis will be given to the search for uranium because of the increasing need for new sources of the mineral to meet the rapidly-rising requirements for nuclear power. At the same time, the company will be exploring actively for new base metal properties.

C. A. Burns

C. A. BURNS,
President

March 9, 1967

# Balance Sheet

## ASSETS

| Current Assets | 1966 | 1965 for comparison |
|---|---|---|
| Cash | 8,318 | 23,824 |
| Bank deposit receipts | 1,400,000 | 1,325,000 |
| Marketable securities at cost (quoted market value $2,225) | 2,280 | |
| Accounts and accrued interest receivable | 6,519 | 1,051 |
| Accrued royalty receivable | 83,333 | 83,333 |
| | 1,500,450 | 1,433,208 |
| **Fixed Assets** | | |
| Equipment at cost | 7,885 | |
| Less accumulated depreciation | 788 | |
| | 7,097 | |
| **Mining Properties and Deferred Expenditures (note 1)** | | |
| Mining properties at cost, leased under long-term agreement to The Algoma Steel Corporation, Limited | 203,255 | 203,255 |
| Exploration and administrative expenditures thereon less amounts written off | 872,858 | 1,029,410 |
| | 1,076,113 | 1,232,665 |
| | $2,583,660 | $2,665,873 |

## *Auditors' Report* TO THE SHAREHOLDERS

We have examined the balance sheet of Can-Fer Mines Limited as at December 31, 1966 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GUNN, ROBERTS and CO.
Chartered Accountants

Toronto, Ontario
February 3, 1967

*ecember 31, 1966*

## LIABILITIES

| | 1966 | 1965 for comparison |
|---|---|---|
| **Current Liabilities** | | |
| Bank loan | 20,000 | |
| Accounts payable and accrued liabilities | 16,571 | 15,756 |
| Dividend payable | | 103,028 |
| | 36,571 | 118,784 |
| **Shareholders' Equity** | | |
| Capital Stock (note 2) | | |
| Authorized — 6,000,000 shares of $1 each | | |
| Issued — 3,434,260 shares | 3,434,260 | 3,434,260 |
| Less discount on shares | 2,000,732 | 2,000,732 |
| | 1,433,528 | 1,433,528 |
| Retained earnings | 1,113,561 | 1,113,561 |
| | 2,547,089 | 2,547,089 |
| | $2,583,660 | $2,665,873 |

Approved on behalf of the Board:

PAUL PORZELT, Director

C. A. BURNS, Director

## *Statement of Income*

**Year ended December 31, 1966**

| | | | 1965 for comparison (notes 3 and 4) |
|---|---|---|---|
| **Revenue** | | | |
| Royalties from lease of mining claims | | 200,000 | 83,333 |
| Interest and dividends | | 68,706 | 26,880 |
| | | 268,706 | 110,213 |
| **Expenses** | | | |
| Exploration | | | |
| Staking, recording and claim fees | 7,404 | | |
| Grubstaking and prospecting | 1,390 | | 675 |
| Geophysical surveys | 10,852 | | |
| Transportation and travelling | 7,481 | | 1,324 |
| Salaries and geological fees | 27,189 | | 5,542 |
| Diamond drilling | 2,103 | | |
| Assaying and sampling | 837 | | 617 |
| Temporary equipment and supplies | 5,227 | | |
| Other costs | 2,673 | | 953 |
| | | 65,156 | 9,111 |
| Administrative | | | |
| Directors' fees | 1,500 | | 800 |
| Executive salary | 6,000 | | 2,500 |
| Legal audit and accounting | 11,633 | | 1,640 |
| Telephone | 1,088 | | 330 |
| Share transfer expenses | 2,029 | | 385 |
| Travelling | 1,466 | | 786 |
| Stock exchange fees and expenses | 3,051 | | |
| Publicity and shareholders' information | 8,082 | | 1,298 |
| Directors' expenses | 838 | | 234 |
| Office rental | 2,603 | | 650 |
| Depreciation of equipment | 788 | | |
| Salaries | 4,592 | | 1,625 |
| Office expense and stationery | 1,781 | | 59 |
| General expense | 1,547 | | 80 |
| | | 46,998 | 10,387 |
| | | 112,154 | 19,498 |
| Net income for the period before deducting undernoted item | | 156,552 | 90,715 |
| Deduct portion of deferred exploration and administrative expenditures written off | | 156,552 | 90,715 |
| Net income for the year | | Nil | Nil |

## *Statement of Source and Application of Funds*

**Year ended December 31, 1966**

### Source of Funds

| | | |
|---|---|---|
| Net income for the year | | Nil |
| Add deferred exploration and administrative expenditures and depreciation written off which did not require cash outlay | | 157,340 |
| Funds from operations | | $ 157,340 |

### Application of Funds

| | | |
|---|---|---|
| Purchase of fixed assets | | 7,885 |
| Increase in working capital | | 149,455 |
| | | $ 157,340 |

### Working Capital (current assets less current liabilities)

| | | |
|---|---|---|
| Balance January 1, 1966 | 1,314,424 | |
| Increase during the year | 149,455 | |
| Balance December 31, 1966 | $1,463,879 | |

# *Notes to Financial Statements*

**December 31, 1966**

1. Under the terms of an agreement dated March 25, 1965 the company granted an option to The Algoma Steel Corporation, Limited, to lease the company's mining properties. The sum of $1,340,000 has been received by the company upon the exercise of this option and the company has leased its mining properties to The Algoma Steel Corporation, Limited under a 99 year lease computed from August 1, 1965. The agreement provides, among other terms, for the following:

   (a) An annual royalty or rental of $200,000 for a period of 20 years or until the date of the first shipment of iron ore pellets from the mining properties. However, from the commencement, by the lessor, of incurring expenditures to bring the properties into commercial production, no royalty or rent shall be payable for the lessor of (1) four years or (2) the date that iron ore pellets are shipped from the mining properties. These annual payments are to be applied against royalties as calculated in (b) below.

   (b) Commencing with the first commercial shipment of iron ore pellets from open cut mining operations, the company shall receive royalties based on tonnages shipped as follows:

   40¢ per gross ton shipped during the first year;
   50¢ per gross ton shipped during the second year;
   60¢ per gross ton shipped during the third year; and
   65¢ per ton therafter.

   On iron ore pellets produced and shipped from ore mined by underground mining operations the royalty is 30¢ per gross ton of such pellets.

   The annual royalty on iron ore pellets shall not be less than $350,000. This minimum payment would be reduced if steel ingot production in Canada is less than 75% of rated capacity.

   (c) The tonnage royalty described in (b) above will increase pro rata if the percentage of iron natural content of the pellets increases above 66%, and will increase or decrease pro rata if the published Lower Lake price of iron natural content of Lake Superior pellets increases or decreases from the published price at March 25, 1965.

2. Under an agreement with an officer of the company an option was granted him to purchase 50,000 shares of the company's capital stock at $1.25 per share, exercisable up to May 10, 1968 or until the later expiry of any renewal of the agreement.

3. The 1965 comparative figure in the statement of income covers only the period August 1, 1965, the date when revenue under the lease commenced, to December 31, 1965.

4. For comparative purposes, certain 1965 figures have been reclassified on the same basis as has been used in 1966.

CAN-FER MINES LIMITED

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